AIR POUCH PRIORITY

RESTRICTED (Including Unclassified Section)

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155

714.00 W/10-253

F790001-1125

FOREIGN SERVICE DESPATCH

FROM : AMEMBASSY, GUATEMALA

292 DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON.

October 2, 1953 DATE

REF : --

EUR-5 GER-2

OCT 3 1953

For Dept. Use Only	ACTION	DEPT.
	OLT-10	DC/R-2 REP-1 ARA-2 I-3 IBS-2 IPS-1 L-2
	REC'D 10/5	INFO OTHER COM-8 AG-5 FOA-5 OA-3

SUBJECT: WEEKA NO. 40 - ECONOMIC SECTION

SECTION II

DECLASSIFICATION DATE 11-30-78 PER EMMA OFFICE ARA FADRC FOI CASE NO. 74032

DEPARTMENT OF STATE RECEIVED OCT 9 1953 OLI - IAD MESSAGE CENTER

War Claims (Restricted)

The Guatemalan Supreme Court this week continued to sustain the Government's position on the key question of property expropriation by ruling that a mortgage held by a Dutch firm on a German plantation expropriated under the wartime alien property law was cancelled when the plantation passed to the State. The mortgagee, the Netherlands Trading Company of Central America, had alleged that its interest was protected by the Guatemalan law valid when the property was taken from its German owners in 1949, but the Court declared that the wartime law was no longer applicable.

The 1949 law expropriating German properties stated that after the lands were transferred to the State the Government would pay off mortgages held by unaffected third persons. However, the German properties were not actually registered in the Government's name until after June 1952. By that time the 1949 decree had been superseded by the Agrarian Reform Law, which barred suits against the State to protect mortgage rights on expropriated property and ordered that the mortgages be cancelled in accordance with the Civil Code. The Civil Code provides that mortgages on expropriated property be paid from indemnification payments, but in the case of the German plantations the State, which cannot be sued, has retained the indemnifications to pay "war claims". Hence the mortgage holders appear to have no recourse.

End Restricted

Atlantic Highway (Unclassified)

Colonel Ca[illegible], Minister of

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714.00(W)/10-253

EHMiller/dkp (10/1/53)

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Desp. No. 292
From Guatemala

RESTRICTED (With [redacted] Section)

Encl. No.
Desp. No.
From

F790004-1126

Communications, told the press that 150 kilometers of the 300 km. Atlantic Highway were graded and drained and that paving of the completed sectors would commence as soon as the dry season begins and "possible damage" due to the present heavy rains is repaired. Col. Aldana also said that dependent on weather conditions and the timely arrival of asphalt and asphalt-laying machinery the entire 220-km. stretch from Puerto Barrios to Las Pericas, a village on the Motagua River, would be paved by about August 31, 1954.

Begin Restricted

An informed source has stated privately that the rainy season thus far had been mild and that there had been relatively little damage to the roadbed. However, he said it was improbable that many of the 50 odd bridges needed on the highway could be completed by mid-1954.

End Restricted

R. E. Schoenfeld

Rudolf E. Schoenfeld

[redacted] Section)

156

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F790004-1127

FOREIGN SERVICE DESPATCH

FROM : AMEMBASSY, GUATEMALA 307 DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON. October 9, 1953 DATE

REF : --

OCT 10 1953

Assigned to Vinton

41 For Dept. Use Only	ACTION	DEPT.
	OBT-10	IN REP-1 DC/R-2 ARA-2 E-4 IAD-2 IPS-1
	REC'D 10/12	FO OTHER Army-35 Navy-39 Air-24 CIA-10 OSD-4 FCE-1

Action Taken

SUBJECT: WEEKA No. 41 - ECONOMIC SECTION COM-8 AG-5 FRB-2 TRA-2 FBAE-2 Files OCB-3 LAB-3

This document released to public per Ehrman ARA 1/30/78 740332

SECTION II

Action Office Symbol LAD

Name of Officer Vinton

Business activity in September showed little change from the low August level and Guatemalan merchants continued to operate on a day-to-day basis in view of the general uncertainty. Heavy equipment, hardware and auto volume continued to be poor and department store, home appliance, and soft lines remained normal, though there were indications of decreasing sales of the latter items during the last part of the month.

Direction RA Central Files

DEPARTMENT OF STATE RECEIVED OCT 1 1953 OLI - IAD RECORDS CENTER

Agrarian Reform

In a widely-publicized move designed to establish confidence in its agrarian reform bonds, the Government this week called up for cash redemption as of October 19, 1953 $40,000 in bonds drawn by lottery from those issued to expropriated landowners in January 1953. The announcement of the proposed amortizations, which was released by the President's publicity office, stated that the payments would include 3 percent interest; that as soon as the first $2,500,000 bond issue, dated September 14, 1952, was redeemed the Bank of Guatemala would begin to call up the more recent issues on the first day of each month; and that claims by certain persons that the bonds were worthless had now been disproved.

Editorially commenting on the announcement, the pro-Government, pro-Communist Nuestro Diario said that the planned redemption was an eloquent refutation of the claims of enemies of agrarian reform that their properties had been confiscated, and of the United States Department of State, "which denied that the bonds were convertible"; that, in spite of the United Fruit Co. protest, the

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Administration now had not only demonstrated its solvency and the justice of the Agrarian Reform Law but had proved that it complies with its obligations in accordance with the new laws providing social justice to all persons. The official Diario de Centro America said the Government's announcement made clear to all that the October Revolution did not operate arbitrarily but in accordance with domestic and international law, with the Constitution and the Economic Charter of Bogotá, and that therefore the UFCo. could no longer allege that its lands were confiscated nor that it was treated in a discriminatory manner.

Meanwhile, the National Agrarian Department (DAN) reported that up until September 30 it had issued bonds amounting to $2,879,746 (an increase of $437,171 since September 1 - see Section I) to private landholders in payment for 565,985 acres of expropriated lands, and that $2,091,275 in credits had been granted to about 20,000 beneficiaries of the Agrarian Reform Law by the National Mortgage Bank (CHN). It was also announced that the long-delayed opening of the National Agrarian Bank (BAN), originally scheduled for late 1952, will take place on October 20.

Urban Real Estate

Carrying forward its program against local real estate practices, Congress on October 8 approved a law suspending for six months court actions by property owners to collect payments on building lots in newly sub-divided areas and appointing a commission to prepare a real estate development law. The sponsors of the bill justified it by stating that the companies which sub-divided and sold the properties made enormous profits and did not comply with promises to furnish light, water, paving and electricity, and that it was necessary to protect the victimized buyers while the special commission investigated the situation.

The original project of law had provided for a suspension of only three months, but Communist Deputy José Alberto CARDOZA alleged that that period was not sufficient.

It will be recalled that on July 21 Congress approved a three-month suspension on eviction proceedings against tenants renting houses for $50 per month or less pending the passage of a new rental law (WEEKA No. 30). Though that period will soon end there has been no indication that a new law has been prepared.

Desp. No. 307
From Guatemala

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(Classification)

Encl. No.
Desp. No.
From

F790004-1129

Coffee Export Taxes

The press has reported that the Ministry of Finance will soon send to Congress a bill establishing an additional tax of $0.10 per hundredweight on coffee exports in order to raise the sum necessary to pay Guatemala's back dues of about $300,000 to the Pan American Coffee Bureau. The annual assessments, which are supposed to be met from the Ministry of Agriculture's budget, have not been paid since 1949 but it is estimated that revenues from the new tax could put Guatemala's account on a current basis in 5-6 years.

R E Schoenfeld

Rudolf E. Schoenfeld

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